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June 1986/$7.00

Dealerscope Merchandising

The Marketing Magazine for Consumer Electronics and Major Appliance Retailing

Focusing on the Big Picture

Big screen manufacturers project banner sales

Video Software Explosion

Like magic, new specialty videos come out of a hat

SUMMER CES PREVIEW

What's happening in Chicago?

June 1986
Vol. 28, No. 6

Dealerscope Merchandising

The Marketing Magazine for Consumer Electronics and Major Appliance Retailing

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DEALERSCOPE MERCHANDISING (ISSN 0011-7218) is published monthly by North American Publishing Co., 401 N. Broad St., Philadelphia, PA 19108. Telephone (215) 238-5300. Copyright © 1986 by North American Publishing Co.

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Second class postage paid at Philadelphia, PA and additional entry. Postmaster: Send change of address form 3579 to DEALERSCOPE MERCHANDISING, 401 N. Broad St, Philadelphia, PA 19108.

Exclusive!

The Bare Facts Revealed

Poll of dealers across the land reveals their buying plans for the year.

EXPANSION into a variety of categories led by accessories (including tape), pre-recorded video, satellite TV systems, microwave ovens and services, such as extended warrenty contracts and financing is planned by retailers this year, according to an exclusive Dealerscope Merchandising survey.

The results, reflected in the responses of 900 dealers from across the country, provide insight into how the merchandising mix will change for the consumer electronics retailer in the year ahead. They also provide solid evidence of what the dealer will be looking for at this month's Summer Consumer Electronics Show in Chicago.

Topping the list of categories to be expanded are accessories and pre-recorded video, two of the industry's high profit areas. Out of 900 responses, 214 retailers, or 24 percent, said they would expand into accessories or add to their existing line of product. This finding reflects a trend by retailers to take seriously an accessory business

which until two years ago was dominated by specialists and parts houses.

Another factor in accessories' strong showing involves changes in how the category is being marketed. Efforts by industry leaders to trim SKU requirements, upgrade packaging and point-of-purchase materials makes it easier for broad-based retailers to stock and merchandise the category.

The profitability of accessories also is a factor. Margins range from 30 percent to 50 percent on most items. When displayed near the point-of-sale area, several key items, including dust covers or head cleaners, become a quick and easy add-on sale with a VCR.

Finally, the consumer trend of combining an existing audio system with high fidelity or stereo VCR and stereo TV makes the accessory category all the more important. To keep pace with this development, retailers find it essential now to merchandise the various connectors and cables.

Pre-recorded video ranked number two in the survey, with 201 dealers (22 percent) planning to expand the category. The high showing reflects a move by broad-based retailers to capture a share of a booming market. By opening pre-recorded video departments, video hardware retailers are hoping to lure a steady stream of customers into their stores each week. It's an ideal way to keep the established clientele coming back and to attract new customers as well.

Several industry changes make pre-recorded video more attractive now than only one year ago. Sell-through is one and the proliferation of titles is another. Finally, some hit movies are available below the $30 price point and, in addition, how-to tapes are selling at $9.95. Consequently, hardware dealers see the best of all possible worlds evolving: a proliferation of categories and lower price points which, finally, are well within the reach of the mass market.

One-hundred-thirty-five respondents, or 15 percent, said they plan to expand with satellite TV systems this year. Despite a sharp drop in sales earlier this year, which followed HBO and Cinemax scrambling, retailers view the category as healthy long-term. Feeding this optimism is a shift to established electronics distribution firms, the penetration of suburbia, and to some extent, of urban markets as well.

Another promising development is the industry trend toward Ku-Band technology— meaning, for one thing, dishes which are more compact than the standard six- to 10-foot C-Band dish. While the programming for Ku-Band is developing slowly, manufacturers expect this technology to be popular in the suburban and urban markets. Major suppliers already are offering C-Band/Ku-Band compatible equipment.

The profitability of accessories is also a factor. Margins range from 30 percent to 50 percent.

Another strong growth area is services, including warranty contracts and financing. One-hundred-twenty dealers, or 13 percent, said they would expand in this area. Follow-up inquiries reveal that retailers are relying heavily on service contracts on audio and video hardware products to boost their bottom line. As key companies, such as Warrantech and Video Aid, expand their service to major appliances, appliance-TV retailers will have the opportunity to expand considerably this year.

Service contracts are selling well, regardless of store size. Large chains, for example, are relying heavily on contract sales to offset their advertised loss leaders. Smaller firms are savvy on this trend and have wasted no time in jumping on the bandwagon. There's good profit in service contracts, and everybody is going after that business.

The leading growth categories represent products which generally are less mature than the industry's bread-and-butter merchandise, such as color TV or audio systems and components. While the VCR has been in the market a comparatively short period (since 1979), the category gained maturity with remarkable speed over the past four years.

Video hardware, nonetheless, was cited as an expansion area by 88 dealers or about 10 percent. The responses did not indicate, however, if expansion plans involve camcorders, projection TV systems or other forms of video, such as the laser disc player or multi-channel TV sound tuner/adapters.

Microwave ovens continue as a strong growth category; 122 retailers or 13.5 percent indicated they will expand this area. Though a bestseller over the past five years, new oven sizes, new features and expanding applications keep microwave ovens high on consumers' wish list. Lower price points—well under $100, in some instances—continue to fuel the market. However, the top of the line is being strengthened by new applications, including convection cooking and browning capability, electronic touch controls, programmability and designer colors.

Collectively, mobile electronics makes a strong showing. Eighty-seven retailers (10 percent) said they will expand car stereo; 78 (nine percent) will expand radar detectors and 53 (six percent) will add security products. Combining the three product categories would make mobile electronics the major expansion category; a total of 218 dealers, or 24 percent, have expansion plans this year for these categories.

This suggests that autosound retailers will broaden their business auto-related categories; they see good mileage ahead with radar dectors and security systems. It also shows confidence in the autosound aftermarket. At a time when automakers are shipping new cars with stereo systems already installed, some industry sources speculated that the aftermarket for car stereo would be curtailed. Retailers, apparently, are more optimistic. □

News from NARDA

by Jules Steinberg

PROSPECTIVE customers, or individuals who are already shopping for the products your store sells, are lured by low-price advertising. Much as we might wish it to be otherwise, "low ball" promotional items do have their place in successful retail merchandising plans, but it doesn't follow that, because you have that low-end, less-featured, less-profitable model available, you must sell it.

Of course, to avoid any semblance of false and misleading advertising, you've got to stock whatever you promote, and, if the prospect insists, sell it. However, a well-trained salesperson should be capable of "stepping" the customer from the piece which first attracted him to one which better fulfills his needs.

The advertised model is out front: its attractive price prominently displayed. Close by, usually next to it, however, is the top-of-the-line version with point-of-purchase material trumpeting its far superior features. This side-by-side comparison makes it all too obvious which of the two is the "cheapest" and which represents the greater value. Still, the plan does not end here.

Farther down the line sits what is called the "step" model. It's priced somewhere between the other two, and, although lacking all the "bells and whistles" of the fully-featured version, it represents better overall value than the item which attracted the prospect in the first place.

Given this product setup, the competent salesperson can easily point out, and even demonstrate to the consumer the advantages of purchasing the top of the line.

If, however, the salesperson meets resistance at the higher price point, there is the possibility of falling back to the "step" price.

"Step selling", for the salesperson with full product knowledge, is an easy, natural way to a sales close. It is a good idea to discuss the technique at in-store sales meetings with members of the team actually practicing on each other the words they will use in moving the customer off that "Adv" model. Once the staff gets over being self-conscious "acting" in front of the group, the practice might be fun. It certainly can be profitable for all concerned. □

STAT WATCH

TOTAL U.S. MARKET STATISTICS
Sales to Retailers
March 1986 vs. March 1985
(In Units)

	March 1986	March 1985	Percent Change	Year-to-date 1986	Year-to-date 1985	Percent Change
TELEVISION						
Color	1,604,668	1,847,737	– 13.2	4,205,799	3,986,425	+ 5.5
Monochrome	244,891	425,198	– 42.4	847,858	847,385	+ 0.1
TOTAL TV*	**1,849,559**	**2,272,935**	**– 18.6**	**5,053,657**	**4,833,810**	**+ 4.5**
Projection TV	22,872	24,180	– 5.4	71,948	54,495	+32.0
Home VCR	1,030,373	1,212,710	– 15.0	2,907,134	2,601,496	+11.7
Camcorders**	57,111	NA	NA	171,067	NA	NA
Color Video Cameras	10,034	51,798	– 80.6	28,496	116,043	– 75.4

Information contained in this release reflects total market statistics for products produced and/or sold in the United States regardless of the brand name or country of origin.

*Excludes projection television
**Included in Home VCR
Source: Electronics Industries Association Consumer Electronics Group.

John Gooley former managing director of NARDA's National Association of Service Dealers, has been named Man of the Year. Gooley who joined the staff 22 years ago, was the guiding force behind NARDA's School of Service Management and designed the Service Data System, a computerized measurement of the effectiveness of a shop's service technicians.

Gooley

Buchholz

Whirlpool Acceptance Corp. has named **Walter H. Buchholz** staff VP of field operations.

The following officers of the Gas Appliance Manufacturers Association were elected product division chairmen for the 1986-87 term. Burner division: **John C. Bailey**, VP, energy products, Honeywell Inc.; Control division: **Herbert G. Ray**, marketing manager, Hamilton Standard Controls, Inc.; Direct heating division: **Bobby D. Vincent**, VP, engineering, Suburban Manufacturing Co.; Domestic Gas Range division: **Raymond J. Dowling**, president, Caloric Corp.; Food service equipment: **Clement J. Luebke**, VP, Welbilt Corp.

STAT WATCH

MAJOR HOME APPLIANCE FACTORY SHIPMENTS THOUSANDS OF UNITS
(Domestic Plus Export)
March, 1986

	March 1986	March 1985	Percent Change	Calendar Year to Date 1986	1985	Percent Change
ALL MAJOR APPLIANCES	**3,466.5**	**3,908.4**	**-11.3**	**10,254.7**	**10,244.8**	**+ 0.1**
COOKING — TOTAL	**1,095.1**	**1,344.0**	**-18.5**	**3,575.9**	**3,243.4**	**+10.3**
Electric Ranges — Total	240.0	240.9	- 0.4	759.0	714.3	+ 6.3
Free Standing	192.6	195.1	- 1.3	620.4	579.0	+ 7.2
Built-In	47.4	45.8	+ 3.5	138.7	135.3	+ 2.5
Microwave Ovens/Ranges	870.1	1,119.8	-22.3	2,861.4	2,576.3	+11.1
HOME LAUNDRY — TOTAL	**721.6**	**714.7**	**+ 1.0**	**2,[illegible]**	**2,264.6**	**+ 1.4**
Automatic Washers	407.7	424.8	- 4.0	1,[illegible]6.3	1,291.5	+ 0.4
Dryers — Total	313.9	289.9	+ 8.3	998.9	973.1	+ 2.7
Electric	244.9	229.7	+ 6.6	779.2	764.2	+ 2.0
Gas	69.1	60.2	+14.8	219.7	208.9	+ 5.2
KITCHEN CLEAN UP — TOTAL	**649.4**	**673.5**	**- 3.6**	**2,003.5**	**1,980.6**	**+ 1.5**
Disposers	**339.3**	**377.6**	**-10.1**	1,063.9	1,102.2	- 3.5
Dishwashers — Total	295.2	283.5	+ 4.1	901.1	837.9	+ 7.5
Built-In	278.5	266.5	+ 4.5	839.5	770.4	+ 9.0
Portable	16.7	17.0	- 1.8	61.5	67.5	- 8.9
Compactors	15.0	12.4	+21.0	44.5	40.5	+ 9.9
FOOD PRESERVATION — TOTAL	**499.6**	**533.5**	**- 6.4**	**1,522.1**	**1,510.3**	**+ 0.8**
Refrigerators	419.1	447.9	- 6.4	1,274.5	1,241.9	+ 2.6
Freezers — Total	80.5	85.6	- 6.0	247.5	268.4	- 7.8
Chest	45.0	48.5	- 7.2	133.7	138.6	- 3.5
Upright	35.5	37.2	- 4.6	113.8	129.8	-12.3
HOME COMFORT — TOTAL	**500.8**	**642.7**	**-22.1**	**852.2**	**1,245.8**	**-31.6**
Room Air Conditioners	421.6	530.2	-20.5	727.8	1,016.0	-28.4
Dehumidifiers	79.1	112.4	-29.6	124.4	229.8	-45.9
GAS RANGES	**166.9**	**164.1**	**+ 1.7**	**464.8**	**422.4**	**+10.0**

Source: AHAM.